State Ownership and Earnings Management around Initial Public Offerings: Evidence from China

This study investigates earnings management by firms around their initial public offerings (IPOs) in domestic Chinese equity markets. Using a sample of 437 IPO firms, we find that Chinese firms tend to inflate earnings around their IPOs. We also show that state-owned enterprises (SOEs) manage earnings to a lesser degree than non-state-owned enterprises (NSOE s) around IPOs. Furthermore, using path analysis, we find that two incentive factors, CEO shareholding and accessibility to bank loans, explain 48% of the correlation between state ownership and earnings management for IPOs. In particular, the accessibility to bank loans is a more important incentive factor that leads to less earnings management for SOEs than NSOE s.

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Date: 27 May 2015 (Wednesday)
Time: 2:30 pm – 4:30 pm
Venue: SEK210, 2/F, Simon & Eleanor Kwok Bldg.
Language: English

*** All are Welcome ***